

# Greenberg Traurig

Mitchell F. Brecher  
(202) 331-3152  
BrecherM@gtlaw.com

June 14, 2006

## VIA ELECTRONIC FILING

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: CC Docket No. 96-45  
WC Docket No. 05-337  
NOTICE OF EX PARTE PRESENTATION

Dear Ms. Dortch:

On June 13, 2007, F.J. Pollak, President and Chief Executive Officer, TracFone Wireless, Inc., Leighton Lang, Vice President and Assistant General Counsel, TracFone Wireless, Inc., and I, met with Scott M. Deutchman, Legal Advisor to Commissioner Michael J. Copps, and with Charley Lozada, Legal Intern in Commissioner Copps' office.

During the meeting, we discussed TracFone's concerns about proposed changes to the Universal Service Fund contribution methodology. We presented a plan which would have providers of prepaid wireless service calculations of the USF contributions based on minutes of use rather than working telephone numbers in the event that the Commission elects to implement a working telephone numbers-based contribution methodology. The rationale for the "By the Minute" USF contribution plan as well as a description of the plan are set forth in a paper which was provided to each of the attendees. A copy of that paper captioned "Prepaid Wireless 'By the Minute' USF Contribution Proposal," is being submitted with this letter. In addition to describing the aforementioned "By the Minute" proposal, we discussed TracFone's position on certain matters involving the distribution of USF high-cost support, specifically TracFone's endorsement of the use of reverse auctions and for an across-the-board interim cap on high-cost support. Those positions are consistent with those taken in previous filings in these proceedings.

Ms. Marlene H. Dortch

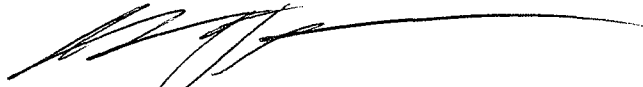
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We also discussed the status of TracFone's eight pending applications for designation as an Eligible Telecommunications Carrier to enable it to offer prepaid Lifeline service in Alabama, Connecticut, Florida, Massachusetts, New York, North Carolina, Tennessee, and Virginia. Those applications have been pending since 2004. TracFone provided to each attendee an ex parte supplement to its ETC applications which describes modifications to its Lifeline plan proposals in light of marketplace changes which have occurred since its initial Lifeline program proposals were presented to the Commission in July 2005. A copy of that ex parte supplement also is being submitted with this letter.

Pursuant to Section 1.1206(b) of the Commission's rules, this notice is being filed electronically in the above-captioned dockets. If you have any questions regarding this letter or the attachments submitted herewith, please contact undersigned counsel for TracFone.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mitchell F. Brecher', with a long horizontal flourish extending to the right.

Mitchell F. Brecher

Attachments

cc: Mr. Scott M. Deutchman  
Ms. Charley Lozada

## **TracFone Wireless, Inc.**

### **Prepaid Wireless “By the Minute” USF Contribution Proposal**

**June 13, 2007**

- “Pay-as-you-go” prepaid wireless services that do not have a direct monthly billing relationship with end users should not be subject to a flat, monthly USF fee based on working telephone numbers, connections or similar method.
- A monthly per number charge of \$1.00<sup>1</sup> would substantially increase TracFone’s USF contribution requirements. A number fee would disproportionately burden low volume prepaid wireless services and would not be competitively neutral.
- TracFone’s “pay-as-you-go” customers are both lower-volume and lower-income consumers. Approximately 50% of TracFone’s customers report incomes of \$25,000 or less. On average, TracFone customers use less than 80 minutes of service per month. Only about 11 of these minutes are interstate calls (less than 14%).
- Others have recognized that a numbers-based plan would not be appropriate for prepaid wireless service providers and their consumers. On March 3, 2006, Verizon Communications and Verizon Wireless filed the following recommendation with the Commission:

It is more difficult for prepaid wireless providers to pass through a monthly per number assessment because they do not send monthly bills to customers. Since prepaid wireless customers do not buy service by the month but instead buy blocks of minutes, often in low amounts, a per-month assessment is infeasible. The FCC should either preserve the current revenues-based assessment for prepaid wireless, or adopt a per-number assessment that reflects the unique characteristics of this service.

[Letter from Kathleen Grillo, Vice President, Federal Regulatory, Verizon, to Marlene H. Dortch, Secretary, FCC, Docket 96-45, filed March 3, 2006, at 3]

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<sup>1</sup> A coalition of major carriers lobbying for the number plan estimates “the per-number fee would likely be no higher than \$1.20 per month.” Unless fund growth is restrained, the actual fee could be higher.

- The Boucher – Terry USF Bill (H.R. 2054) currently contains a Low-Volume Carrier provision that states:

(C) LOW VOLUME EXCEPTION.—The Commission shall not materially increase the contributions of communications service providers whose customers typically make a low volume of calls on a monthly basis.

- Senator Steven’s USF bill (S. 101) contains a similar Low-Volume Carrier provision:

(C) ADJUSTMENTS.—The Commission shall adjust the contribution for communication service providers for their low-call volume, non-business customers.

- If the Commission is going to adopt a numbers-based USF contribution methodology, TracFone urges the Commission to consider the following alternative methodology for “pay-as-you-go” prepaid wireless:

- This alternative USF contribution method would apply only to pay-as-you-go prepaid wireless service for which there is no direct, monthly billing relationship between a carrier and the end user.
- The newly adopted number fee would be converted to a “by the minute fee” for this class of service.

- Assume the new number fee is \$1.00 per working number each month.
- Assume that the CTIA reports the average wireless customer usage as 800 minutes per month.
- The per minute USF fee would be calculated by dividing \$1.00 by 800, which equals \$0.00125 per minute.
- The prepaid wireless carrier would be assessed USF contributions by taking the total number of prepaid minutes times the per minute factor (\$0.00125 in this example).

- Under this approach, the USF assessment applicable to a prepaid wireless customer using the same number of minutes per month as the average postpaid wireless customer would be the same, i.e., \$1.00 for 800 minutes of use.

- While the postpaid wireless customer would pay the \$1.00 fee as a surcharge on his or her monthly bill, in the case of prepaid wireless, the fee would be paid by the prepaid service provider, because there is no billing relationship between the prepaid carrier and the customer.

This approach is fair, equitable, non-discriminatory and competitively neutral and would be a good option in the event that the FCC decides to move USF Contributions to a "numbers-based" system.

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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
TRACFONE WIRELESS, INC.	)	CC Docket No. 96-45
	)	
Petitions for Designation as an Eligible	)	
Telecommunications Carrier in the State	)	
of Alabama, the State of Connecticut,	)	
the State of Florida, the Commonwealth of	)	
Massachusetts, the State of New York, the	)	
State of North Carolina, the State of Tennessee,	)	
and the Commonwealth of Virginia	)	

**EX PARTE SUPPLEMENT TO PETITIONS FOR DESIGNATION AS AN  
ELIGIBLE TELECOMMUNICATIONS CARRIER TO DESCRIBE  
REVISIONS TO PROPOSED LIFELINE PLANS**

TracFone Wireless, Inc. ("TracFone") hereby supplements its petitions for designation as an Eligible Telecommunications Carrier (ETC) to describe revisions to its proposed Lifeline plans which it will implement upon grant of those petitions.

On July 15, 2005, TracFone filed an Ex Parte Supplement to its ETC petitions in which it described the specific Lifeline programs it would offer to qualified Lifeline consumers upon its being designated as an ETC. That submission contained proposals for each of TracFone's two brands -- TracFone Pay-As-You-Go Wireless, and NET10 Pay-As-You-Go Wireless. In that July 2005 filing, TracFone explained that pricing and other service features change from time-to-time as a result of market conditions which are constantly evolving, and that such market-driven changes might necessitate revisions to TracFone's Lifeline programs. Because of changes to the wireless market since July 2005 (nearly two years ago), TracFone now deems it necessary to revise its Lifeline plan proposals so as to deliver value to those consumers who obtain service under those plans.

TracFone's revised Lifeline plan proposals are as follows:

TracFone Pay-AsYou-Go Wireless

New handsets may be purchased from retail vendors at prices between \$10.00 and \$15.00 depending on vendor's retail price. Refurbished handsets will be provided to eligible Lifeline customers without charge, depending upon availability. TracFone offers a Value Plan for \$9.99 per month. That plan entitles customers to 50 minutes per month of airtime. Unused minutes purchased under this plan do not expire at the end of the month, and are "rolled over" to the following month. Lifeline customers who enroll in this plan would not be required to pay the \$9.99 monthly charge. Lifeline customers who desire additional minutes of use above the 50 minute monthly allotment would be allowed to purchase such minutes at the standard rate of \$0.20 per minute. The TracFone plan include calling to more than 60 countries with no additional charges.

NET10 Pay-As-You-Go Wireless

Lifeline customers who enroll in this plan will receive 100 minutes of service per month at no charge. Since the standard rate for NET10 service is \$0.10 per minute, that will be \$10.00 of service per month free to the Lifeline customer. Lifeline customers will be entitled to purchase additional minutes at the standard NET10 rate of \$0.10 per minute. Handsets will be available to NET10 customers for prices between \$30.00 and \$40.00 depending on the retail vendor from whom the handset is purchased.

Lifeline customers with lower volume calling requirements are likely to select the TracFone plan with its generous handset subsidy; Lifeline customers with higher volume calling requirements may prefer the NET10 plan with its lower per minute rate. Both plans will offer text messaging. The TracFone text messaging rate is \$0.06 per message; the NET10 text

message rate is \$0.05 per message. Under both plans, the per minute rate will be the same for local, long distance and roaming calling. The NET10 plan contains an additional charge of \$0.05 per minute for international calling.

Respectfully submitted,

**TRACFONE WIRELESS, INC.**

A handwritten signature in black ink, appearing to read 'MFB', is written over a horizontal line.

Mitchell F. Brecher  
GREENBERG TRAURIG, LLP  
800 Connecticut Avenue, NW  
Washington, DC 20006  
(202) 331-3100

*Its Attorney*